Finance and Trade

Developments of the Week and Their Bearing on the Stock Market

Any one who has successfully played the stock market for a long time will tell you that the expected never happens. And that is equally true of business outside the district of vague delimitations known as Wall Street. Once more the expected has failed to happen. The great depression in business which was due about this time, according to the calculations of many amateur and professional economists, has failed to materialize. Nevertheless, the warnings that were issued by bankers, the Federal Reserve Board and others have served a useful purpose. By preparing business and finance for a crisis, they prevented the immediate development of a serious situation. The ship was trimmed sufficiently to prevent a grave upset. True, a layer or two was sliced off the topheavy market structure and a spirit of conservatism was engendered among business men, but these things have done good rather than harm. We were in danger of carrying speculation—in goods quite as much as in stocks—beyond all reasonable bounds—to a point where a disastrous crash would have been inevitable.

Having prepared for a depression which failed to come on schedule, people are all at once highly optimistic. In Wall Street they are buying stocks and talking again of imminent advances ranging up to heights limited only by the imagination of the speculator. In business, signs that the scare has passed and that domestic trade is again proceeding in volume limited chiefly, if not solely, by the tightness of money and the inability to produce enough to satisfy all demands, are everywhere apparent. People are peering into the future not with fear, but with confidence. Which is quite as it should be, provided only that the thing isn't carried too far. Overconfidence is dangerous—especially dangerous in a period of reconstruction such as the world is passing through at this time. So far as the domestic situation is concerned, it may perhaps be enough to say that the demand for goods is far in excess of the supply, but that production is tending to increase. That means, excepting only to the extent that American plants are dependent on foreign orders, that a period of great activity is ahead. The question is whether a social and economic upheaval in Europe would so upset business here as to cause a severe reaction in spite of the strong domestic position.

We have no doubt that the effects of such an upheaval would be serious in the extreme. In the first place, our foreign trade, already hampered by the lack of credit and the low rates of exchange, would slump terrifically. Nor would that be the sole result. The losses on goods already sold would be appalling. There are now on the docks in Europe, undelivered, tens of millions of dollars worth of American goods that are held up by the inability of the foreign buyers to finance their purchases. Moreover, the balance owed this country on open account for goods already delivered runs, according to the best estimates available, into several billions of dollars. If Bolshevism should spread, much of this would be lost. But to the observer on this side an overwhelming catastrophe in Europe seems to be only a remote possibility—so unlikely to happen as to be a negligible factor in the business equation. Wall Street, at any rate, considers the outlook satisfactory. It has been giving a vote of confidence for some time.

The recovery in the stock market has now been under way nearly three weeks. Prices turned definitely for the better on the day of the spectacular error in the publication of the Supreme Court decision in the stock dividend case. But, for a few days prior to that, improvement in the tone of the general market and in sentiment among followers of the stock market was discernible. The movement has gone ahead since then with increasing momentum, and last week the market went into a stage where sensational advances in industrial shares were numerous. The buying that pushed prices upward so violently, while it was no doubt inspired by speculative pools, nevertheless was so confident and so well sustained that it attracted the first public participation on any important scale in many weeks. This revival of outside interest in the market on the buying side is undoubtedly the most important feature of the new phase.

The question now uppermost in the mind of the trader in speculative securities is whether the recovery is to go on at its present pace, and if it is, how far will it carry before a renewal of money stringency or some other equally potent influence checks the movement. This is a point on which opinion widely differs, although it may be said that the feeling among the rank and file in Wall Street is that further advances are likely to be recorded in the industrial shares and the rails before the movement subsides. The biggest element of uncertainty in the market situation, as most observers see it, is that of money supply. For the time being the Wall Street market has entered into a period of moderate ease, a fact which has been reflected in recent days by a gradual lowering of rates on call loans. Last week call loan rates dropped to 7 per cent for renewals, and a considerable volume of business in loans of this character was done on a 6 per cent basis. Such a development was not unexpected, but it is felt in many quarters that this is only a temporary condition and that sooner or later we are bound to run into another period of tight money. However, the total of Stock Exchange loans is said to be down to such a low level as a result of the drastic liquidation in February that it is not too much to expect that the banking authorities will for a time find the situation liquid enough to permit of some expansion of the stock market loan account. There must have been a moderate expansion in collateral loans already as a result of the increased speculative activity during the last week or ten days.

This is the groundhog season on the countryside and in Wall Street. We do not remember whether the little animal which is supposed to be a barometer of the weather saw his shadow or not, but it is quite apparent that the stock market groundhog—that is to say, the mysterious and sensitive public—has found the indication satisfactory, for after months of aloofness it is tumbling into speculation again. More than anything else a market of sustained improvement and great activity depends upon public participation. The professional element can carry things along on a large scale for only a limited period. Like the players in a game of chance, they shift the counters back and forth among themselves with changes in their individual fortunes, but without any change at all in their aggregate welfare. Wall Street can perform its function of raising capital for the sustenance of industry only when it is able to distribute certificates of ownership among the public. The public that the sensational editorial writers talk about in pitying terms is composed chiefly of successful business men in every field of endeavor in the country. And for that reason the opinion which it registers through its action in the stock market is of great significance. People do not buy securities when they are doubtful about the future. Therefore, the entrance of the public into the stock market must be accepted as an indication that confidence has returned to business men and that they are looking forward to good times.

As the time for holding the conventions of the two great parties approaches, the political outlook will play an increasingly important part in shaping the course of security values, and particularly the price of speculative securities. Still, it is doubtful if politics will have such great influence on the stock market this time as it does ordinarily in a Presidential year. The reason is that the bulk of those whose opinions are respected in Wall Street are convinced that the Democratic party is doomed to defeat. And business men generally would welcome any change which would bring an end to the paternalistic tendencies which are now being shown by our government.

The Irving National Bank in its midmonth review of business, says: "Either as definitions of principle or as expression of the Supreme Court's attitude toward organized business, the three decrees form a most unusual sequence. Following the Webb law permitting export combinations, the Edge law empowering banks to act together in the financing of foreign trade, and the provisions of the Cummins-Esch law enabling railroads to consolidate, the Steel decision would suggest that the country has finally emerged from the period when every big business was under suspicion simply because it was big. In like manner the stock dividend and railway valuation decisions would indicate a saner public opinion on overcapitalization, so often alleged against concerns whose offense was conspicuous success."

British Goods Flood Berlin

Envoy Suggests U. S. Should Seize Opportunity

WASHINGTON, March 21.—British manufacturers are not losing any time in renewing trade with the Germans, Trade Commissioner Dresel at Berlin has reported to the Department of Commerce. The better class mercantile establishments at Berlin are showing varied lines of British-made goods, particularly woolens and leather, the report said.

Describing the arrangements made by the British for shoe contracts for the next two years and the "handsome" profits obtained because of the exchange situation, Mr. Dresel said:

"In my opinion there is no reason why such an arrangement for the supply of materials on a large scale could not be carried out by American dealers for their own profit and for the assistance of German industry during the period necessary for construction."

Transactions Last Week in Listed Stocks

Summary of Stock Exchange Dealings

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	Last week.	Week before.	Year ago.	January 1 to date. 1920.	1919.	1918.
Railroad stocks	692,600	1,225,000	839,100	8,316,100	7,316,400	8,222,300
Other stocks	6,850,100	6,647,500	4,797,800	49,829,300	30,991,300	27,994,500
All stocks	7,542,700	7,872,500	5,636,900	58,145,400	38,207,700	36,216,800

	Last week.	Week before.	Year ago.	1920.	1919.
U. S. government bonds	$51,229,000	$46,488,000	$37,652,000	$715,316,000	$534,821,000
Railroad bonds	6,216,000	5,006,000	6,884,000	79,841,000	69,439,000
Other bonds	11,741,000	20,021,000	16,596,000	95,783,000	88,419,000
All bonds	69,186,000	73,425,000	61,132,000	890,998,000	699,231,000

Record of Stock and Bond Averages

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	Last week. High.	Low.	Year ago. High.	Low.	Range thus far for 1920. High.	Low.	Range full year 1919. High.	Low.
Stocks								
20 Railroads	68.50	67.70	71.95	71.40	76.60	67.70	78.80	63.35
30 Industrials	102.83	99.07	91.20	90.70	110.30	88.70	119.33	79.99
50 Stocks	89.10	86.64	82.94	82.38	90.06	77.14	99.54	75.92
Bonds								
10 Railroads	73.71	73.43	80.60	80.15	76.26	71.76	82.80	72.83
10 Industrials	89.16	88.83	90.60	90.55	89.58	88.90	95.60	90.86
5 Utilities	73.90	73.76	86.50	86.84	84.42	73.50	87.75	81.80
25 Bonds	79.93	79.72	87.20	87.02	81.71	79.48	87.87	81.91

High 1920.	Date.	Low 1920.	Date.	Div. in $.		Sales.	High.	Low.	Close.	Net chge.
36	Mar 11	25	Feb 11	—	Adams Express	2300	34¾	32¼	33	+ ¾
45½	Jan 5	34¼	Feb 7	—	Advance Rumely	5000	44¼	40	42½	+1½
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